Procedure for purposes of determining expenses for audit or inventory valuation.

172. (1) Every Chief Commissioner of Income-tax shall, for the purposes of section 268(5)(*i*) and (*ii*), shall maintain a panel of—

(*a*) accountants, out of the persons referred to in section 515(3)(*b*); and

(*b*) cost accountants, out of the persons referred to in section 268(13).

(2) Where the Assessing Officer directs—

(*a*) for audit under section 268(5)(*i*); or

(*b*) for inventory valuation under section 268(5)(*ii*),

the expenses of, and incidental to, audit or inventory valuation (including the remuneration of the accountant or cost accountant, qualified assistants, semi-qualified and other assistants, who may be engaged by such accountant or cost accountant), shall not be less than Rs. 3,750 and not more than Rs. 7,500 (both inclusive) for every hour of the period as specified by the Assessing Officer under section 268(8) or (9) or (10), as the case may be.

(3) The period referred to in sub-rule (2) shall be specified in terms of the number of hours required for completing the report.

(4) The accountant or cost accountant referred to in section 268(5)(*i*) or (*ii*), shall maintain a time-sheet and submit it to the Chief Commissioner of Income-tax or Commissioner of Income-tax, along with the bill.

(5) The Chief Commissioner of Income-tax or the Commissioner of Income-tax shall ensure that the number of hours claimed for billing purposes is commensurate with the size and quality of the report submitted by the accountant or cost accountant.

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INCOME TAX DEPARTMENT

Jurisdiction of Valuation Officers as per section 2(*110*) read with section 269.

173. (1) For the purposes of section 2(*110*) read with section 269, —

(*a*) Regional Valuation Officers shall exercise, within such areas as the Board may direct, general supervision over the work of District Valuation Officers, Valuation Officers and Assistant Valuation Officers;

(*b*) District Valuation Officers, Valuation Officers and Assistant Valuation Officers shall perform the functions of a Valuation Officer in respect of such areas and in relation to such class of assets, properties or investments, as the Board may direct; and

(*c*) subject to the provisions of sub-rules (5) and (6), where under any directions issued under sub-rule (1)(*b*), the functions of a Valuation Officer in relation to any class of assets, being buildings or lands or any rights in buildings or lands, in respect of any area have been assigned to a District Valuation Officer, Valuation Officer and an Assistant Valuation Officer, such functions shall be performed by the respective officer mentioned in column B of the following Table, for the assets or properties or investment with value specified in the corresponding entry in column C thereof:—

TABLE

Sl. No.	*Officer who will perform valuation*	*Value of asset*
A	*B*	*C*
1	District Valuation Officer	More than five crore rupees
2	Valuation Officer	More than one crore rupees and up to five crore rupees
3	Assistant Valuation Officer	Up to one crore rupees

(2) The value of any asset, for the purposes of sub-rule (1)(*c*) shall be, where a reference is made under section 78(2), the stamp duty value of the capital asset.

(3) The value of any asset, for the purposes of sub-rule (1)(*c*) shall be, where a reference is made under section 91(1), the value claimed by the assessee.

(4) The value of any asset, for the purposes of sub-rule (1)(*c*) shall be —

(*a*) the latest value as declared in the return of income of the assessee for any tax year; and

(*b*) where no value is ascertainable as per the return of income of the assessee for any tax year, the functions of District Valuation Officers, Valuation Officers and Assistant Valuation Officers, as the case may be, shall be performed in accordance with the direction of District Valuation Officers.

(5) The District Valuation Officer referred to in Table [Sl. No. 1] having jurisdiction in respect of the area may, if he considers it necessary or expedient so to do for the purpose of proper and efficient management of the work of valuation, himself perform such functions in relation to any asset referred to in Table [Sl. No. 2].

(6) The Valuation Officer referred to in Table [Sl. No. 2] having jurisdiction in respect of the area may, if he considers it necessary or expedient so to do for the purpose of proper and efficient management of the work of valuation, himself perform such functions in relation to any asset referred to in Table [Sl. No. 3].

(7) For the purposes of sub-rule (1)(*c*), the value of the assets, properties or investments referred to therein shall be in respect of the asset as a whole, whether owned by the assessee individually or joint-ly.

Day and time for inspection by Valuation Officers, etc., as per section 269(3).

174. (1) For the purposes of section 269(3), on any day except public holidays, at any time between 6 a.m. and 6 p.m., the Valuation Officer, or any engineer, or overseer, or surveyor, or assessor, authorised by him, by order in writing in this behalf, may, —

(*a*) enter any land within the limits of the area assigned to the Valuation Officer; or

(*b*) enter any land, building, or other place belonging to or occupied by any person in connection with whose assessment a reference has been made to the Valuation Officer; or

(*c*) inspect any asset in respect of which a reference has been made to the Valuation Officer.

(2) The expression "public holiday" includes Sundays, and any other day declared by the Central Government, by notification, to be a public holiday.

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INCOME TAX DEPARTMENT

Prescribed authority for issue of notice under section 270(8).

175. The prescribed authority under section 270(8) shall be an income-tax authority not below the rank of an Income-tax Officer, who has been authorised by the Central Board of Direct Taxes to act as in-come-tax authority for the purposes of section 270(8).

Procedure for faceless assessment, reassessment or recomputation under section 273(1).

176. (1) The assessment, reassessment or recomputation under section 270(10) or section 271 or section 279, as the case may be, in respect of cases as specified by the Board under section 273(2), shall be made in a faceless manner, in accordance with the procedure in this rule.

(2) The procedure for faceless assessment, reassessment or recomputation shall be the following: —

(*a*) the National Faceless Assessment Centre shall assign the case selected for faceless assessment under section 273 to a specific assessment unit through an automated allocation system;

(*b*) the National Faceless Assessment Centre shall intimate the assessee that the assessment in his case shall be completed in accordance with the procedure laid down under this rule;

(*c*) a notice under section 268(1) or section 270(8) shall be served on the assessee through the National Faceless Assessment Centre, requiring the assessee to furnish his response within the date specified therein to the National Faceless Assessment Centre, which shall forward such response to the assessment unit;

(*d*) where a case is assigned to the assessment unit under sub-rule (2)(*a*), it may make a request through the National Faceless Assessment Centre for—

(*i*) obtaining further information, documents or evidence from the assessee or any other person; or

(*ii*) conducting of enquiry or verification by a verification unit; or

(*iii*) seeking technical assistance by referring to the technical unit in respect of determination of arm's length price, valuation of property, withdrawal of registration, approval, exemption or any other technical matter;

(*e*) where a request under sub-rule (2)(*d*)(*i*) is made—

(*i*) the National Faceless Assessment Centre shall serve an appropriate notice or requisition on the assessee or any other person for obtaining the information, documents or evidence required by the assessment unit;

(*ii*) the assessee or any other person shall file his response within the time specified therein, or within such time as may be extended on an application made in this regard, to the National Faceless Assessment Centre; and

(*iii*) the National Faceless Assessment Centre shall forward such response to the assessment unit;

(*f*) where a request under sub-rule (2)(*d*)(*ii*) or (*iii*) is made, the National Faceless Assessment Centre shall, through an automated allocation system, assign the request to —

(*i*) a verification unit for conducting enquiry or verification; and

(*ii*) a technical unit for seeking technical assistance;

(*g*) the National Faceless Assessment Centre shall send the report received from the verification unit or technical unit, as the case may be, to the assessment unit from which the request was received as referred in sub-rule (2)(*f*);

(*h*) where the assessee fails to comply with the notice served under sub-rule (2)(*e*) or the notice issued under section 268(1) or section 270(8), the National Faceless Assessment Centre shall intimate such failure to the assessment unit;

(*i*) the assessment unit, through the National Faceless Assessment Centre, shall serve a notice under section 271 upon the assessee referred to in sub-rule (2)(*h*), providing an opportunity to show cause as to why the assessment should not be completed to the best of its judgment;

(*j*) the assessee shall furnish his response to the notice served under sub-rule (2)(*i*) within the time specified therein or within the extended time, if any, to the National Faceless Assessment Centre, which shall forward the same to the assessment unit;

(*k*) where the assessee fails to furnish his response to the notice served under sub-rule (2)(*i*) within the specified or extended time, the National Faceless Assessment Centre shall intimate such failure to the assessment unit;

(*l*) the assessment unit shall, after considering all relevant material available on record, prepare—

(*i*) an income or loss determination proposal where no variation prejudicial to the assessee is proposed and send a copy of the same to the National Faceless Assessment Centre; or

(*ii*) in any other case, a show cause notice stating the variations prejudicial to the interest of the assessee proposed to be made to the income of the assessee and calling upon him to submit as to why the proposed variation should not be made and serve such notice, on the assessee, through the National Faceless Assessment Centre;

(*m*) the assessee shall file his reply to the show cause notice referred in sub-rule (2)(*l*)(*ii*) within the time specified or such extended time, as the case may be, to the National Faceless Assessment Centre, which shall forward the same to the assessment unit;

(*n*) where the assessee fails to file a response within the specified or extended time, as the case may be, the National Faceless Assessment Centre shall intimate such failure to the assessment unit;

(*o*) the assessment unit shall, after considering the response received under sub-rule (2)(*m*) or after receipt of intimation under sub-rule (2)(*n*), as the case may be, and taking into account all relevant material available on record, prepare an income or loss determination proposal and send the same to the National Faceless Assessment Centre;

(*p*) upon receipt of the income or loss determination proposal referred to in sub-rule (2)(*l*)(*i*) or (2)(*o*), the National Faceless Assessment Centre may, on the basis of the guidelines issued by the Board, —

(*i*) convey to the assessment unit to prepare a draft order in accordance with such proposal; or

(*ii*) assign the proposal to a review unit to review such proposal through an automated allocation system;

(*q*) the review unit shall conduct review of the income or loss determination proposal assigned to it by the National Faceless Assessment Centre under sub-rule (2)(*p*)(*ii*) and prepare a review report, which shall be sent to the National Faceless Assessment Centre;

(*r*) the National Faceless Assessment Centre shall forward the review report referred in sub-rule (2)(*q*) to the assessment unit, which had proposed the income or loss determination proposal;

(*s*) the assessment unit shall, after considering such review report, accept or reject some or all of the modifications proposed therein, and after recording reasons in case of rejection of such modifications, prepare a draft order and send the same to the National Faceless Assessment Centre;

(*t*) the assessment unit shall send the draft order prepared under sub-rule (2)(*p*)(*i*) or sub-rule (2)(*s*) to the National Faceless Assessment Centre;

(*u*) in case of an eligible assessee, as mentioned in section 275(1), where any variation prejudicial to his interest is proposed, the National Faceless Assessment Centre shall serve the draft order upon the assessee;

(*v*) in any case other than that referred to in sub-rule (2)(*u*), the National Faceless Assessment Centre shall convey the assessment unit to pass a final assessment order in accordance with the draft order;

(*w*) the assessment unit shall pass the final assessment order and initiate penalty proceedings, if any, and send the same to the National Faceless Assessment Centre;

(*x*) upon receiving the final assessment order as per sub-rule (2)(*w*), the National Faceless Assessment Centre shall serve a copy of such order and notice for initiating penalty proceedings, if any, on the assessee, along with the demand notice, specifying the sum payable by, or refund of any amount due to, the assessee on the basis of such assessment;

(*y*) where a draft order is served as per sub-rule (2)(*u*), the assessee shall—

(*i*) file acceptance of the variations to the National Faceless Assessment Centre; or

(*ii*) file his objections to the variations before the Dispute Resolution Panel and the National Faceless Assessment Centre within the period specified in section 275(2);

(*z*) upon receipt of acceptance or upon no objection being filed within time specified in section 275(2) from the eligible assessee, the National Faceless Assessment Centre shall intimate the assessment unit to complete the assessment on the basis of draft order;

(*aa*) the assessment unit shall, upon receipt of intimation under sub-rule (2)(*z*), pass the assessment order in accordance with the draft order within the time period mentioned in section 275(4) and initiate penalty proceedings, if any, and send the order to the National Faceless Assessment Centre;

(*ab*) where objections are filed with the Dispute Resolution Panel under sub-rule (2)(*y*)(*ii*), the National Faceless Assessment Centre shall forward such intimation along with a copy of objection to the assessment unit;

(*ac*) the National Faceless Assessment Centre shall, in a case referred to in sub-rule (2)(*ab*), upon receipt of the directions issued by the Dispute Resolution Panel under section 275(5), forward such directions to the assessment unit;

(*ad*) the assessment unit shall, in conformity with the directions issued by the Dispute Resolution Panel under section 275(5), complete the assessment within the time allowed in section 275(13) and initiate penalty proceedings, if any, and send a copy of the assessment order to the National Faceless Assessment Centre;

(*ae*) the National Faceless Assessment Centre shall, upon receipt of the assessment order referred to in sub-rule (2)(*aa*) or (*ad*) as the case may be, serve a copy of such order and notice for initiating penalty proceedings, if any, on the assessee, along with the demand notice, specifying the sum payable by, or the amount of refund due to, the assessee on the basis of such assessment;

(*af*) after completion of assessment, the National Faceless Assessment Centre shall transfer all the electronic records to the Assessing Officer having jurisdiction over the assessee;

(*ag*) if, at any stage of proceedings before it, the assessment unit having regard to the nature and complexity of the accounts, volume of the accounts, doubts about the correctness of accounts, multiplicity of transactions in the ac-counts or specialised nature of business activity of the assessee, and the interests of the revenue, is of the opinion that it is necessary to do so, it may, upon recording its reasons in writing, refer the case to the National Faceless Assessment Centre stating that the provisions of section 268(5) may be invoked; and

(*ah*) the function of verification unit under this section may also be performed by a verification unit located in any other faceless centre set up under the provisions of this Act or under any scheme notified under the provisions of the Act, and the request for verification may also be assigned through the National Faceless Assessment Centre to such verification unit.

(3) For the purposes of faceless assessment, reassessment or recomputation—

(*a*) an electronic record shall be authenticated by—

(*i*) the National Faceless Assessment Centre by way of an electronic communication; or

(*ii*) the assessment unit or verification unit or technical unit or review unit, as the case may be, by affixing digital signature; or

(*iii*) the assessee or any other person, by affixing his digital signature or under electronic verification code, or by logging into his registered account in the designated portal;

(*b*) every notice or order or any other electronic communication shall be delivered to the addressee, being the assessee by—

(*i*) placing an authenticated copy thereof in the registered account of the assessee; or

(*ii*) sending an authenticated copy thereof to the registered e-mail address of the assessee or his authorised representative; or

(*iii*) uploading an authenticated copy on the Mobile App of the assessee,

and followed by a real time alert;

(*c*) every notice or order or any other electronic communication shall be delivered to the addressee, being any other person by sending an authenticated copy to his registered e-mail address, followed by a real time alert;

(*d*) the assessee shall file his response to any electronic communication through his registered account, and the response shall be deemed authenticated once an acknowledgement is sent by the National Faceless Assessment Centre containing the hash result generated upon successful submission of response;

(*e*) the time and place of dispatch and receipt of electronic record shall be determined as per provisions of section 13 of the Information Technology Act, 2000 (21 of 2000);

(*f*) no personal appearance, either in person or through authorised representative, shall be required in connection with any proceedings before any unit set up under section 273;

(*g*) in a case where a variation is proposed in the income or loss determination proposal or the draft order, and an opportunity is provided to the assessee by serving a notice calling upon him to show cause as to why the assessment should not be completed as per such income or loss determination proposal, the assessee or his authorised representative, as the case may be, may request for personal hearing so as to make his oral submissions or present his case before the income-tax authority of the relevant unit;

(*h*) where the request for personal hearing has been received, the income-tax authority of relevant unit shall allow such hearing, through the National Faceless Assessment Centre, which shall be conducted exclusively through video conferencing or video telephony, including use of any telecommunication application software which supports video conferencing or video telephony, to the extent technologically feasible, in accordance with the procedure laid down by the Board;

(*i*) subject to section 273(8), any examination or recording of the statement of the assessee or any other person (other than the statement recorded in the course of survey under section 253) shall be conducted by an income-tax authority in the relevant unit, exclusively through video conferencing or video telephony, including use of any telecommunication application software which supports video conferencing or video telephony, to the extent technologically feasible, in accordance with the procedure laid down by the Board;

(*j*) the Board shall establish suitable facilities for video conferencing or video telephony including telecommunication application software which supports video conferencing or video telephony at such locations as may be necessary, so as to ensure that the assessee, or his authorised representative, or any other person is not denied the benefit of faceless as-sessment merely on the consideration that such assessee or his authorised representative, or any other person does not have access to video conferencing or video telephony at his end;

(*k*) the Principal Chief Commissioner or the Principal Director General, as the case may be, in-charge of the National Faceless Assessment Centre shall, with the prior approval of the Board, lay down the standards, procedures and processes for effective functioning of the National Faceless Assessment Centre and the units set up, in an automated and mechanised environment.

(4) For the purposes of section 273 and this rule, unless the context otherwise requires—

(*a*) "addressee" shall have the same meaning as assigned to it in clause (*b*) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000);

(*b*) "authorised representative" shall have the meaning assigned to it in section 515(3)(*a*);

(*c*) "automated allocation system" means an algorithm for randomised allocation of cases, by using suitable technological tools, including artificial intelligence and machine learning, with a view to optimise the use of resources;

(*d*) "computer resource" shall have the same meaning as assigned to it in clause (*k*) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000);

(*e*) "computer system" shall have the same meaning as assigned to it in clause (*l*) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000);

(*f*) "computer resource of assessee" shall include assessee's registered account in designated portal of the Income-tax Department, the Mobile App linked to the registered mobile number of the assessee, or the registered e-mail address of the assessee with his e-mail service provider;

(*g*) "digital signature" shall have the same meaning as assigned to it in clause (*p*) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000);

(*h*) "Dispute Resolution Panel" shall have the meaning assigned to it in section 275(17)(*a*);

(*i*) "electronic record" shall have the same meaning as assigned to it in clause (*t*) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000);

(*j*) "electronic verification code" means a code generated for the purpose of electronic verification as per the data structure and standards specified by the Principal Director General or Director General, as the case may be, in-charge of information technology;

(*k*) "eligible assessee" shall have the meaning assigned to in section 275(17)(*b*);

(*l*) "e-mail" or "electronic mail" and "electronic mail message" means a message or information created or transmitted or received on a computer, computer system, computer resource or communication device including attachments in text, image, audio, video and any other electronic record, which may be transmitted with the message;

(*m*) "hash function" and "hash result" shall have the same meaning respectively assigned to them in the *Explanation* to section 3(2) of the Information Technology Act, 2000 (21 of 2000);

(*n*) "Mobile app" means the application software of the Income-tax Department developed for mobile devices which is downloaded and installed on the registered mobile number of the assessee;

(*o*) "real time alert" means any communication sent to the assessee, by way of Short Messaging Service on his registered mobile number, or by way of update on his Mobile App, or by way of an email at his registered email address, so as to alert him regarding delivery of an electronic communication;

(*p*) "registered e-mail address" means the e-mail address at which an electronic communication may be delivered or transmitted to the addressee, including —

- (*i*) the e-mail address available in the electronic filing account of the addressee registered in designated portal; or
- (*ii*) the e-mail address available in the last income-tax return furnished by the addressee; or
- (*iii*) the e-mail address available in the Permanent Account Number database relating to the addressee; or
- (*iv*) in the case of addressee, being an individual who possesses the Aadhaar number, the e-mail address of the addressee available in the database of the Unique Identification Authority of India; or
- (*v*) in the case of addressee being a company, the e-mail address of the company as available on the official web-site of the Ministry of Corporate Affairs; or
- (*vi*) any e-mail address made available by the addressee to the income-tax authority or any person authorised by such authority;

(*q*) "registered mobile number" of the assessee means the mobile number of the assessee, or his authorised representative, appearing in the user profile of the electronic filing account registered by the assessee in the designated portal; and

(*r*) "video conferencing or video telephony" means the technological solutions for the reception and transmission of audio-video signals by users at different locations, for communication between people in real-time.

Modified return of income in respect of business reorganisation under section 314.

177. (1) The modified return of income to be furnished by a successor entity to a business reorganisation, as referred to in section 314, for a tax year, shall be in the Form ITR-A and verified in the manner specified therein.

(2) ITR-A shall be furnished electronically under the digital signature.

(3) If the assessment or reassessment proceedings for a tax year to which the order of the business reorganisation applies have been completed or are pending on the date of furnishing ITR-A, the Assessing Officer shall, pass an order modifying the total income of the relevant tax year determined in such assessment or reassessment, or proceed to complete the assessment or reassessment proceedings, as the case may be, in accordance with the order of the business reorganisation and the ITR-A so furnished.

Application under section 288(1) [Table: Sl. No. 11] regarding credit of tax deduction at source.

178. (1) The application required to be made by the assessee under section 288(1) [Table: Sl. No. 11] shall be in Form No. 102.

(2) Form No. 102 shall be furnished to the Director General of Income-tax (Systems) or the person authorised by him.

(3) The Director General of Income-tax (Systems) or any person authorised by him shall forward Form No. 102 to the Assessing Officer.

Notice of demand under section 289.

179. (1) The notice of demand under section 289 shall be in Form No. 103, subject to the provisions of sub-rule (2).

(2) The notice of demand under section 289, to be served upon the assessee in pursuance of an order under section 407, shall be in Form No. 151.

Return of income in respect of block assessment under section 294(1).

180. (1) The return of income required to be furnished by any person under section 294(1)(*a*), relating to any search initiated under section 247 or requisition made under section 248 shall be in the Form ITR-BN and be verified in the manner indicated therein.

(2) ITR-BN shall be furnished by a person, mentioned in column 2 of the following Table in the manner specified in column 3 thereof:

TABLE

Sl. No.	*Person*	*Manner of furnishing return of income*
(1)	*(2)*	*(3)*
1.	Company	Electronically under digital signature.
2.	Any person other than a company	(*A*) Electronically under digital signature; or (*B*) transmitting the data electronically in the return under electronic verification code.

(3) For the purposes of sub-rule (2), "electronic verification code" shall have the meaning assigned to it in rule 165.

(4) In a case where claim of credit of the tax payments is made against undisclosed income of the block period other than by way of self-assessment tax for the block period, claim of such credits and the allowability thereof shall be subject to the verification by and satisfaction of, the Assessing Officer.

(5) The Principal Director-General of Income-tax (Systems) or Director-General of Income-tax (Systems) shall specify the procedures, formats and standards for ensuring secure capture and transmission of data and shall also be responsible for evolving and implementing appropriate security, archival and retrieval policies in relation to furnishing the return in the manners specified in column 3 of the Table in sub-rule (2).

Common application for registration of non-profit organisation or for approval for the purposes of deduction under sec-tion 133(1)(*b*)(*ii*).

181. (1) An application for registration under section 332 or approval under section 354, in such cases as specified in column B of the following Table shall be made in the Form specified in column C, to the authority specified in column D thereof:

TABLE

Sl. No.	*Case*	*Form No.*	*Authority*
A	*B*	*C*	*D*
1.	Application for provisional registration or approval is made under: (*a*) section 332(3) (Table: Sl. No. 1); or (*b*) section 354(2) (Table: Sl. No. 1)	104	Commissioner being Commissioner of Income Tax (CPC).
2.	Application for registration or approval is made under: (*a*) section 332(3) (Table: Sl. Nos. 2 to 7); or (*b*) section 354(2) (Table: Sl. Nos. 2 to 5)	105	Principal Commissioner or Commissioner having jurisdiction over the applicant.

(2) The application shall be accompanied by the documents, information and undertakings as specified in the Form relevant to such application.

(3) The application shall be —

(*a*) furnished electronically —
- (*i*) under digital signature, if the return of income is required to be furnished under digital signature;
- (*ii*) through electronic verification code, in a case not covered under sub-clause (*i*); and

(*b*) verified by the person who is authorised to verify the return of income under section 265, as applicable to the applicant.

(4) On receipt of an application in Form No. 104, the Commissioner of Income Tax (CPC), shall pass an order in writing in Form No. 106, by issuing a 16-digit alphanumeric Unique Registration Number (URN) and granting registration under section 332(8) or granting approval under section 354(4), or both.

(5) The Form 104 shall be considered *non est* and shall not be further proceeded with where the activities have commenced or it has been registered under any specified provision.

(6) The registration or approval granted in Form No. 106 and Unique Registration Number (URN), issued under sub-rule (4), may be cancelled by the Principal Commissioner or Commissioner, as referred to in sub-rule (1) [Table: Sl. No. 2] after providing an opportunity of being heard to the applicant, if, at any point of time it is noticed that Form No. 104, —

(*a*) contains any false or incorrect information; and

(*b*) does not comply with the requirements of sub-rule (3).

(7) Where the registration or approval granted or URN issued under sub-rule (4) is cancelled by the Principal Commissioner or Commissioner, such registration or approval or URN shall be considered to have never been granted or issued.

(8) The applicant may surrender the registration or approval granted under sub-rule (4) if the applicant —

(*a*) has not claimed benefits, in its return of income for any tax year including the tax year in which such surrender of registration or approval is made, under, —
- (*i*) Part B of Chapter XVII of the Act; or
- (*ii*) section 10(*23C*)(*iv*) or (*v*) or (*vi*) or (*via*) of the Income-tax Act, 1961 (43 of 1961), as it existed prior to its repeal; or
- (*iii*) section 11 or section 12 of the Income-tax Act, 1961 (43 of 1961), as it existed prior to its repeal; and

(*b*) gives an undertaking that no claim of benefits shall be made in the return of income for any tax year under the provisions referred to in clause (*a*).

(9) Where applicant surrenders the registration or approval as per the provisions of sub-rule (8), such registration or approval shall be deemed to have never been granted.

(10) On receipt of an application in Form No. 105, the Principal Commissioner or Commissioner, shall pass an order in writing in Form No. 107, for any of the following: —

(*a*) issuing a 16-digit alphanumeric Unique Registration Number (URN) and granting registration or approval; or

(*b*) rejecting the application; or

(*c*) rejecting the application and also cancelling the registration or approval; or

(*d*) granting registration or approval under one section code as mentioned in Form and rejecting the application under the other section code mentioned in the application.

(11) The applicant shall be allowed to withdraw the application for registration or approval if such a request for withdrawal is made within seven days of filing of application.

(12) Where an order in Form No. 107 (herein referred to as the earlier order) has been issued by rejecting the application or cancelling the registration or approval or both, the applicant may re-apply in Form No. 105 within one month from the end of the month in which said order is passed, if the following conditions are satisfied: —

(*a*) such rejection or cancellation is on account of —
- (*i*) failure of the applicant to provide all or any of the documents or information as sought by the Principal Commissioner or Commissioner under section 332(7); or

(*ii*) not availing an opportunity of being heard; or

(*iii*) ineligibility of the applicant on account of certain terms contained in the trust deed;

(*b*) the applicant has provided the reasons for —

(*i*) the failure to provide necessary information or documents; or

(*ii*) not availing the opportunity to be heard; or

(*iii*) ineligibility of the applicant on account of certain terms contained in the trust deed which has been modified on or before the date of re-application; and

(*c*) the applicant gives an undertaking that he —

(*i*) has not made any appeal against the earlier order or has withdrawn the appeal filed before any appellate authority against such order; and

(*ii*) shall not file any appeal before any appellate authority against the earlier order.

(13) The applicant shall be allowed only one time opportunity to re-apply under sub-rule (12).

(14) The re-application made under sub-rule (12), where the order was issued under section 332(7)(*b*) or 354(3)(*b*), shall be considered to be a fresh application and the time limit for passing order shall continue to be governed by the provisions of section 332(3) or 354(2), as the case may be, and the provisions of this rule shall apply accordingly.

(15) Where the applicant notices that the application in the Form No. 105 has been made by furnishing an erroneous section code or erroneous nature of activity as specified in the said Form,—

(*a*) the applicant may furnish a request for correction before the Principal Commissioner or the Commissioner, at any time before passing of the order in Form No. 107; and

(*b*) the Principal Commissioner or the Commissioner on receipt of such request, may allow such correction.

(16) In this rule, "specified provision" shall have the meaning assigned to it in section 355(*m*).

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Manner of computation of gains of commercial activities under sections 335(*e*), 344, 345 and 346.

182. For the purposes of section 335(*e*), gains of any commercial activity permissible under sections 344, 345 and 346, carried out by a registered non-profit organisation for a tax year, shall be computed in the following manner: —

(*a*) such commercial activity shall be treated as if it is entity separate from the registered non-profit organisation;

(*b*) separate books of account are maintained for such activities; and

(*c*) gains from such commercial activity during the tax year shall be computed as per the provisions of Part D of Chapter IV of the Act.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Manner of computation of any portion of income applied by a registered non-profit organisation, directly or indirectly, for benefit of any related person.

183. (1) For the purposes of section 337 [Table: Sl. No. 2], any income or part thereof, applied directly or indirectly for the benefit of any related person during the tax year, shall be computed in the manner as provided in sub-rule (2), in the following circumstances: —

(*a*) if any part of the income or property of the registered non-profit organisation is, or continues to be, lent to any related person for any period during the tax year without adequate security; or

(*b*) if any part of the income or property of the registered non-profit organisation is, or continues to be, lent to any related person for any period during the tax year without adequate interest; or

(*c*) if any land, building or other property of the registered non-profit organisation is, or continues to be, made available for the use of any related person, for any period during the tax year without charging adequate rent or other compensation; or

(*d*) if any amount is paid by way of salary, allowance or otherwise during the tax year to any related person out of the resources of the registered non-profit organisation for services rendered by that person to such registered non-profit organisation and the amount so paid is in excess of what may be reasonably paid for such services; or

(*e*) if any services or goods or both are made available by any registered non-profit organisation to any related person during the tax year without adequate consideration or other compensation; or

(*f*) if any share, security or other property is purchased by or on behalf of the registered non-profit organisation from any related person during the tax year for consideration which is more than adequate; or

(*g*) if any share, security or other property is sold by or on behalf of the registered non-profit organisation to any related person during the tax year for consideration which is less than adequate; or

(*h*) if any income of the registered non-profit organisation, where the aggregate of the income exceeds Rs. 1000, is diverted during the tax year in favour of any related person; or

(*i*) if any property of the registered non-profit organisation, where value of the property exceeds Rs. 1000, is diverted during the tax year in favour of any related person; or

(*j*) if any funds of the registered non-profit organisation are, or continue to remain, invested for any period during the tax year (not being a period before the 1st day of January, 1971), in any concern in which any related person has a substantial interest.

(2) The income referred to in sub-rule (1) shall be the value of any benefit or facility granted or provided free of cost or at concessional rate to the related person.

(3) For the purposes of this rule, the expression "related person" shall have the meaning assigned to it in section 355(*h*).

Exercise of options by a registered non-profit organisation under section 341(7) for deemed application under section 341(5).

184. (1) The option to be exercised in accordance with provisions of section 341(7) for any tax year shall be exercised in Form No. 108 on or before the due date specified under section 263(1) for furnishing the return of income.

(2) The option in Form No. 108 shall be furnished electronically, either under digital signature or electronic verification code.

Furnishing of statement by registered non-profit organisation under section 342(1) for accumulating or setting apart any part of its regular income.

185. (1) The statement to be furnished to the Assessing Officer under section 342(1) shall be furnished in Form No. 109 on or before the due date specified under section 263(1) for furnishing the return of income.

(2) The statement in Form No. 109 shall be furnished electronically, either under digital signature or electronic verification code.

Application under section 342(5) for change of purpose for which income has been accumulated or set apart.

186. (1) Where a registered non-profit organisation has accumulated or set apart any part of its regular income in accordance with the provisions of section 342(1), it may request the Assessing Officer for the change of purpose for which such income is accumulated or set apart, by furnishing an application to the Assessing Officer in Form No. 110.

(2) Form No. 110, shall be —

(*a*) furnished electronically —

(*i*) under digital signature, if the return of income is required to be furnished under digital signature; or

(*ii*) through electronic verification code in a case not covered under sub-clause (*i*); and

(*b*) verified by the person who is authorised to verify the return of income under section 265, as applicable to the applicant.

(3) The Assessing Officer may, on an application received under sub-rule (1) and subject to the provisions of section 342(2), allow the registered non-profit organisation to apply its income for such other charitable or religious purposes in India which are in conformity with its objects, in Form No. 111.

Books of account and other documents to be kept and maintained by a registered non-profit organisation.

187. (1) Every registered non-profit organisation which is required to keep and maintain books of account and other documents under section 347 shall keep and maintain the following: —

(*a*) books of account, which shall include: —
- (*i*) cashbook; or
- (*ii*) ledger; or
- (*iii*) journal; or
- (*iv*) copies of bills, whether machine numbered or otherwise serially numbered, wherever such bills are issued by the assessee, and copies or counter foils of machine numbered or otherwise serially numbered receipts issued by the assessee; or
- (*v*) original bills wherever issued to the person and receipts in respect of payments made by the person; or
- (*vi*) any other book that may be required to be maintained in order to give a true and fair view of the state of affairs of the person and explain the transactions effected;

(*b*) books of account, as referred to in clause (*a*) for business undertaking referred in section 344;

(*c*) books of account, as referred to in clause (*a*) for business carried on by the assessee other than the business undertaking referred in section 344;

(*d*) other documents for maintaining —
- (*i*) record of all the projects and institutions run by the person containing details of their name, address and objectives;
- (*ii*) record of income of the person during the tax year in respect of —
  - (*I*) charitable or religious activity, for which it is registered;
  - (*II*) any property, deposit or investment held by such registered non-profit organisation;
  - (*III*) voluntary contributions received;
  - (*IV*) any commercial activity permissible under sections 344, 345 and 346;
  - (*V*) specified income, as referred to in section 337; and
  - (*VI*) residual income as referred in section 355(*j*);
- (*iii*) record of the following, out of the income of the person during the tax year: —
  - (*I*) application of income, in India, containing details of amount of application, name and address of the person to whom any credit or payment is made and the object for which such application is made;
  - (*II*) amount credited or paid to any registered non-profit organisation, containing details of their name, address, permanent account number and the object for which such credit or payment is made;
  - (*III*) application of income outside India containing details of amount of application, name and address of the person to whom any credit or payment is made and the object for which such application is made;
  - (*IV*) deemed application of income referred to in section 341(5) containing details of the reason for availing such deemed application;
  - (*V*) income accumulated or set apart as per the provisions of section 342(1) which has not been applied or deemed to be applied containing details of the purpose for which such income has been accumulated;
  - (*VI*) money invested or deposited in the forms and modes referred to in section 350; and
  - (*VII*) money invested or deposited in the forms and modes other than those referred to in section 350;
- (*iv*) record of the following, out of the income of the person of any tax year preceding the current tax year: —
  - (*I*) application out of the income accumulated or set apart containing details of year of accumulation, amount of application during the tax year out of such accumulation, name and address of the person to whom any credit or payment is made and the object for which such application is made;
  - (*II*) application out of the deemed application of income referred to in section 341(5), for any preceding tax year, containing details of year of deemed application, amount of application during the tax year out of such deemed application, name and address of the person to whom any credit or payment is made and the object for which such application is made;
  - (*III*) application, other than the application referred in items (*I*) and (*II*), out of income accumulated during any preceding tax year containing details of year of accumulation, amount of application during the tax year out of such accumulation, name and address of the person to whom any credit or payment is made and the object for which such application is made;
  - (*IV*) money invested or deposited in the forms and modes referred to in section 350;
  - (*V*) money invested or deposited in the forms and modes other than those referred to in section 350;
- (*v*) record of donations made with a specific direction that they shall form part of the corpus, in respect of —
  - (*I*) the donations received during the tax year containing details of name of the donor, address, Permanent Account Number (if available) and Aadhaar number (if available);
  - (*II*) application out of such donations referred to in item (*I*) containing details of amount of application, name and address of the person to whom any credit or payment is made and the object for which such application is made;
  - (*III*) amount credited or paid towards corpus to any registered non-profit organisation, out of such donation received during the tax year containing details of their name, address, Permanent Account Number and the object for which such credit or payment is made;
  - (*IV*) the forms and modes referred to in section 350 in which such voluntary contribution, received during the tax year, is invested or deposited;
  - (*V*) money invested or deposited in the forms and modes other than those referred to in section 350 in which such donation, received during the tax year, is invested or deposited;
  - (*VI*) application out of such donation, received during any tax year preceding the tax year, containing details of the amount of application, name and address of the person to whom any credit or payment is made and the object for which such application is made;
  - (*VII*) amount credited or paid towards corpus to any registered non-profit organisation, out of such donation received during any tax year preceding the tax year, containing details of their name, address, Permanent Account Number and the object for which such credit or payment is made;
  - (*VIII*) the forms and modes referred to in section 350 in which such voluntary contribution, received during any tax year preceding the tax year, is invested or deposited;
  - (*IX*) money invested or deposited in the forms and modes, other than those referred to in section 350 in which such voluntary contribution, received during any tax year preceding the tax year, is invested or deposited; and

(*X*) amount invested or deposited back into a donation (which was applied during any preceding tax year and not claimed as application) including details of the forms and modes referred to in section 350 in which such voluntary contribution is invested or deposited;

(*vi*) record of donations received for the purpose of renovation or repair of temple, mosque, gurdwara, church or other place notified under section 133(1)(*b*)(*vi*), which are being treated as corpus as referred in section 340, in respect of, —

(*I*) the donations received during the tax year containing details of name of the donor, address, Permanent Account Number (if available) and Aadhaar number (if available);

(*II*) donation received during any tax year preceding the tax year, treated as corpus during the tax year, containing details of name of the donor, address, Permanent Account Number (if available) and Aadhaar number (if available);

(*III*) application out of such donation referred to in items (*I*) and (*II*) containing details of amount of application, name and address of the person to whom any credit or payment is made and the object for which such application is made;

(*IV*) amount credited or paid towards corpus to any registered non-profit organisation, out of such donation received during the tax year containing details of their name, address, Permanent Account Number and the object for which such credit or payment is made;

(*V*) the forms and modes referred to in section 350 in which such corpus, received during the tax year, is invested or deposited;

(*VI*) money invested or deposited in the forms and modes other than those referred to in section 350 in which such corpus, received during the tax year, is invested or deposited;

(*VII*) application out of such corpus, received during any tax year preceding the tax year, containing details of amount of application, name and address of the person to whom any credit or payment is made and the object for which such application is made;

(*VIII*) amount credited or paid towards corpus of any registered non-profit organisation, out of such donation received during any tax year preceding the tax year, containing details of their name, address, Permanent Account Number and the object for which such credit or payment is made;

(*IX*) the forms and modes referred to in section 350 in which such corpus, received during any tax year preceding the tax year, is invested or deposited; and

(*X*) the money invested or deposited in the forms and modes other than those referred to in section 350 in which such corpus, received during any tax year preceding the tax year, is invested or deposited;

(*vii*) record of loans and borrowings, —

(*I*) containing information regarding amount and date of loan or borrowing, amount and date of repayment, name of the person from whom loan was taken, address of lender, Permanent Account Number and Aadhaar number (if available) of the lender;

(*II*) application out of such loan or borrowing containing details of amount of application, name and address of the person to whom any credit or payment is made and the object for which such application is made;

(*III*) application out of such loan or borrowing, received during any tax year preceding the tax year, containing details of amount of application, name and address of the person to whom any credit or payment is made; and

(*IV*) repayment of such loan or borrowing (which was applied during any preceding tax year and not claimed as application) during the tax year;

(*viii*) record of properties held by the assessee, with respect to the following: —

(*I*) immovable properties containing details of —

(*A*) nature, address of the properties, cost of acquisition of the asset, registration documents of the asset; and

(*B*) transfer of such properties, the net consideration utilised in acquiring the new capital asset; and

(*II*) movable properties including details of the nature and cost of acquisition of the asset;

(*ix*) record of related person as referred to in section 355(*h*), —

(*I*) containing details of their name, address, Permanent Account Number and Aadhaar number (if available);

(*II*) transactions undertaken by the registered non-profit organisation with related person as referred to in section 355(*h*) containing details of date and amount of such transaction, nature of the transaction and documents to the effect that such transaction is, directly or indirectly, not for the benefit of such specified person; and

(*x*) any other documents containing any other relevant information.

(2) The books of account and other documents specified in sub-rule (1) may be kept in written form or in electronic form or in digital form or as printouts of data stored in electronic form, or in digital form, or any other form of electromagnetic data storage device.

(3) Subject to the provisions of sub-rule (4), the books of account and other documents specified in sub-rule (1) shall be kept and maintained by the registered non-profit organisation at its registered office.

(4) All or any of the books of account and other documents referred to in sub-rule (1), may be kept at such other place in India as the management may decide by way of a resolution and where such solution is passed, the registered non-profit organisation shall, within seven days thereof, intimate the jurisdictional Assessing Officer in writing, giving the full address of that other place and such intimation shall be duly signed and verified by the person who is authorised to verify the return of income.

(5) Subject to the provisions of sub-rule (6), the books of account and other documents specified in sub-rule (1) shall be kept and maintained for a period of six years from the end of the relevant tax year.

(6) Where the assessment in relation to any tax year has been reopened under section 279 within the period specified in section 282, the books of account and other documents which were kept and maintained at the time of reopening of the assessment, shall continue to be so kept and maintained till the assessment so reopened has become final.